

**CITY OF EDGEWOOD**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS**

**June 30, 2015**

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## CITY OF EDGEWOOD

### OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James Stone	Mayor	Jan. 2016
Bruce Hemann	Mayor Pro tem	Jan. 2018
Brad Perrinjaquet	Council Member	Jan. 2016
Jill Hemann	Council Member	Jan. 2016
Steve Lange	Council Member	Jan. 2018
Andrew Lange	Council Member	Jan. 2018
Cindy Vorwald	City Clerk	Indefinite
Steve McCorkindale	Attorney	Indefinite

# Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

**STEVEN S. CLAUSEN, CPA**

124A Main • P.O. Box 359

Elkader, Iowa 52043

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Edgewood, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Basis for Qualified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by activity of the cash basis net position and by fund of the cash balances at July 1, 2014.

#### Qualified Opinions

In our opinion, except for the effects of the matter discussed in the “Basis for Qualified Opinions” paragraph, the financial statements referred to in the first paragraph of this report present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Edgewood as of June 30, 2015, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

#### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

#### Emphasis of a Matter

As disclosed in Note 4 to the financial statements, the City of Edgewood adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

#### Other Matters

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Edgewood’s basic financial statements. The supplementary information included in Schedules 1 through 3, is presented for purposes

of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary to verify the distribution by fund of the cash balances at July 1, 2014, as it relates to Schedule 1, as discussed in the "Basis for Qualified Opinions" paragraph, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the City's Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of the City's Proportionate Share of the Net Pension Liability and City Contributions on pages 7 through 14 and 31 through 35, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

#### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 7, 2015 on our consideration of the City of Edgewood's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Edgewood's internal control over financial reporting and compliance.

Elkader, Iowa

August 7, 2015



Dietz, Donald & Company  
Certified Public Accountants  
FEIN 42-1172392



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Edgewood provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements which follow.

Since the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data have been provided if available.

### **2015 FINANCIAL HIGHLIGHTS**

The cash basis net position of the City's governmental activities increased \$ 115,953 due in part to not spending all local option sales tax received in fiscal 2015

The cash basis net position of the City's business activities increased \$ 61,416 due to increases in rates.

### **USING THIS REPORT**

This report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases and decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

1. Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, and debt service. Property tax and state and federal grants finance most of these activities.
2. Business type activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.



## *Fund Financial Statements*

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include [a] the General Fund, [b] the Special Revenue Funds, such as Urban Renewal Tax Increment and Local Option Sales Tax, [c] the Debt Service Fund and [d] the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to account for business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

The required financial statement for the proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing from approximately \$ 536,00 to approximately \$ 652,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities  
(Expressed in Thousands)

	Year Ended <u>June 30, 2015</u>
Receipts:	
Program receipts:	
Charges for service	\$ 181
Operating grants and contributions	123
General Receipts:	
Property tax	449
Local option sales tax	80
Unrestricted interest on investments	2
Other general receipts	<u>12</u>
Total receipts	<u>847</u>
Disbursements:	
Public safety	134
Public works	204
Health and social services	2
Culture and recreation	129
Community and economic development	64
General government	79
Debt Service	<u>119</u>
Total disbursements	<u>731</u>
Change in cash basis net position	116
Cash basis net position beginning of year	<u>536</u>
Cash basis net position end of year	<u>\$ 652</u>

The cash basis net position for the City's governmental activities increased primarily due to not spending all local option sales tax received before June 30, 2015.

The cost of all governmental activities was approximately \$ 731,000. However, as shown in the Cash Basis Statement of Activities and Net Position on page 16, the amount taxpayers ultimately financed for these activities was approximately \$ 427,000 because some of the cost was paid by those directly benefiting from the programs (approximately \$ 181,000) or by other governments and organizations which subsidized certain programs with grants and contributions (\$ 123,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local sales tax and

miscellaneous receipts.

Changes in Cash Basis Net Position of Business Type Activities  
(Expressed in Thousands)

	<u>Year Ended</u> <u>June 30, 2015</u>
Receipts	
Program receipts:	
Charges for service:	
Water	\$    161
Sewer	219
General receipts:	
Unrestricted interest on investments	1
Other general receipts	<u>2</u>
Total receipts	<u>383</u>
Disbursements	
Water	114
Sewer	<u>208</u>
Total disbursements	<u>322</u>
Change in cash basis net position	61
Cash basis net position beginning of year	<u>295</u>
Cash basis net position end of year	<u>\$    356</u>

Total business type activities cash basis net position increased from a year ago, approximately \$ 61,000. The overall increase is primarily a result of an increase in water rates.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Edgewood completed the year, its governmental funds reported a combined fund balance of \$ 652,072, an increase of \$ 115,933 from last year's total of \$ 536,119. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased \$ 29,900 from the prior year to \$ 248,359. This increase was due primarily to the \$ 25,000 transfer the General Fund received from the Special Revenue, Local Options Sales Tax Fund.

The Special Revenue, Road Use Tax Fund, cash balance increased \$ 15,513 to \$ 48,140. A portion of this increase was attributable to less being spent on snow plowing in fiscal 2015 than budgeted.

The Special Revenue, Local Option Sales Tax Fund cash balance increased \$ 47,196 to \$ 256,672 during the fiscal year. The fund contributed \$ 25,000 towards the purchase of rescue equipment during the fiscal year. The sales tax referendum allocates 70% of sales tax receipts to fire/ambulance and 30% to recreation.

The Special Revenue, Urban Renewal Tax Increment Fund has a cash balance of \$ 42,143 at the end of the fiscal year, an increase of \$ 9,988 from the previous year. These are to be used for various construction and refurbishing projects within the urban renewal districts or to retire debt previously acquired to complete past projects within these districts.

The Debt Service Fund cash balance increased \$ 2,623 to \$ 31,054. This increase was primarily due to additional collection of special assessments.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The Enterprise, Water Fund cash balance increased \$ 49,015 to \$ 49,760, due primarily to an increase in water rates.

The Enterprise, Sewer Fund cash balance increased \$ 12,401 to \$ 306,729. The increase was less than budgeted due to \$ 33,466 being spent on engineering on a new sewer project.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year the City amended its budget once. The amendment was approved on May 11, 2015 and resulted in an increase in budgeted disbursements of \$ 124,950 related primarily to Debt Service Fund and early debt retirement. The City has sufficient cash balances on hand to absorb these additional costs.

The City receipts were \$ 18,412 less than budgeted. This was primarily due to miscellaneous receipts being less than anticipated.

The City's disbursements were \$ 169,040 less than budgeted. Actual disbursements for the public works, general government, and business type activities functions were \$ 27,120, \$ 50,242 and \$ 56,449, respectively, less than the amended budget. This was primarily due to a milder winter and engineering bills not being received in fiscal 2015.

## DEBT SERVICE

At June 30, 2015, the City had \$ 540,747 in bonds and notes outstanding compared to \$ 666,309 last year, as shown in the following.

	<u>Outstanding Debt at Year End</u> <u>(Expressed in Thousands)</u>	
	<u>June 30,</u> <u>2015</u>	<u>2014</u>
General obligation notes	\$ 247	354
Revenue notes	294	312
Total	<u>\$ 541</u>	<u>666</u>

Debt decreased as a result of early pay down of the Emergency Response Center notes.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$ 246,747 is substantially below its constitutional debt limit of nearly \$ 2.1 million.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Edgewood's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates and fees that will be charged for various City activities. One of these factors is growth. Population between 2000 and 2010 declined 6.4%. Actual property valuation decreased 0.3% between January 1, 2013 and January 1, 2014. Sales tax receipts increased 4.5% during the current fiscal year.

These indicators were taken into account when adopting the budget for fiscal year 2016. Amounts available for appropriation in the operating budget are approximately \$ 2.3 million, an increase of 93% over the final fiscal year 2015 budget. Proceeds from sewer revenue bonds are expected to lead this increase. The City will use these increases in receipts to finance the cost of a major sewer/urban renewal project. Budgeted disbursements are expected to rise approximately \$ 1.0 million. The sewer/urban renewal project represents nearly all of the increase.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$ 90,000 by the close of 2016.

## **CONTACTING THE CITY'S MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Cindy Vorwald, City Clerk; 203 West Union; Edgewood, Iowa 52042-0397.

## BASIC FINANCIAL STATEMENTS

## Exhibit A

CITY OF EDGEWOOD  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION  
As of and for the Year June 30, 2015

	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
		Charges for Service	Operating Grants and Contributions	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Public safety	\$ 133,943	101,407	9,767	(22,769)	-	(22,769)
Public works	204,091	48,965	89,841	(65,285)	-	(65,285)
Health and social services	2,348	-	-	(2,348)	-	(2,348)
Culture and recreation	129,082	24,870	13,430	(90,782)	-	(90,782)
Community and economic development	63,444	-	10,193	(53,251)	-	(53,251)
General government	79,183	3,790	-	(75,393)	-	(75,393)
Debt service	118,738	1,819	-	(116,919)	-	(116,919)
Total governmental activities	730,829	180,851	123,231	(426,747)	-	(426,747)
Business Type activities:						
Water	114,350	161,463	-	-	47,113	47,113
Sewer	207,672	218,879	-	-	11,207	11,207
Total business type activities	322,022	380,342	-	-	58,320	58,320
Total	\$ 1,052,851	561,193	123,231	(426,747)	58,320	(368,427)
General Receipts:						
Property and other city tax levied for:						
General purposes				282,271	-	282,271
Debt service				41,003	-	41,003
Tax increment financing				125,688	-	125,688
Local option sales tax				79,696	-	79,696
Unrestricted interest on investments				2,239	1,261	3,500
Miscellaneous				8,138	1,835	9,973
Sale of capital assets				3,665	-	3,665
Total general receipts				542,700	3,096	545,796
Change in cash basis net position				115,953	61,416	177,369
Cash balances beginning of year				536,119	295,073	831,192
Cash balances end of year				\$ 652,072	356,489	1,008,561
Cash Basis Net Position						
Restricted:						
Nonexpendable:						
Utility deposits				\$ -	9,877	9,877
Expendable:						
Streets				48,140	-	48,140
Urban renewal purposes				42,143	-	42,143
Debt service				31,054	190,247	221,301
Recreation				141,709	-	141,709
Fire/ambulance				116,963	-	116,963
Other				23,704	-	23,704
Unrestricted				248,359	156,365	404,724
Total cash basis net position				\$ 652,072	356,489	1,008,561

See notes to financial statements.



## Exhibit B

CITY OF EDGEWOOD  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
As of and for the Year Ended June 30, 2015

	General	Road Use Tax	Special Revenue Local Option Sales Tax	Urban Renewal Tax Increment	Debt Service	Nonmajor	Total
Receipts:							
Property tax	\$ 229,973	-	-	-	40,111	45,140	315,224
Tax increment financing	-	-	-	125,688	-	-	125,688
Other city tax	5,981	-	79,696	-	892	1,177	87,746
Licenses and permits	3,428	-	-	-	-	-	3,428
Use of money and property	2,079	-	-	135	-	25	2,239
Intergovernmental	41,887	89,841	-	-	-	-	131,728
Charges for service	128,703	-	-	-	-	-	128,703
Special assessments	-	-	-	-	1,819	-	1,819
Miscellaneous	45,497	-	-	-	-	4,710	50,207
Total receipts	457,548	89,841	79,696	125,823	42,822	51,052	846,782
Disbursements:							
Operating:							
Public safety	125,392	-	-	-	-	8,551	133,943
Public works	113,535	74,328	-	-	-	16,228	204,091
Health and social services	2,348	-	-	-	-	-	2,348
Culture and recreation	103,246	-	7,500	-	-	18,336	129,082
Community and economic development	33,108	-	-	23,765	-	6,571	63,444
General government	74,642	-	-	-	-	4,541	79,183
Debt service	-	-	-	-	118,738	-	118,738
Total disbursements	452,271	74,328	7,500	23,765	118,738	54,227	730,829
Excess (deficiency) of receipts over (under) disbursements	5,277	15,513	72,196	102,058	(75,916)	(3,175)	115,953
Other financing sources (uses):							
Transfers in	25,123	-	-	-	78,539	14,031	117,693
Transfers out	(500)	-	(25,000)	(92,070)	-	(123)	(117,693)
Total other financing sources (uses)	24,623	-	(25,000)	(92,070)	78,539	13,908	-
Change in cash balances	29,900	15,513	47,196	9,988	2,623	10,733	115,953
Cash balances beginning of year	218,459	32,627	211,476	32,155	28,431	12,971	536,119
Cash balances end of year	\$ 248,359	48,140	258,672	42,143	31,054	23,704	652,072
Cash Basis Fund Balances							
Restricted for:							
Streets	-	48,140	-	-	-	-	48,140
Urban renewal purposes	-	-	-	42,143	-	-	42,143
Debt service	-	-	-	-	31,054	-	31,054
Recreation	-	-	141,709	-	-	-	141,709
Fire/ambulance	-	-	116,963	-	-	-	116,963
Other	-	-	-	-	-	23,704	23,704
Unassigned	248,359	-	-	-	-	-	248,359
Total cash basis fund balances	\$ 248,359	48,140	258,672	42,143	31,054	23,704	652,072

See notes to financial statements.

CITY OF EDGEWOOD  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
PROPRIETY FUNDS  
As of and for the Year Ended June 30, 2015

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 161,463	218,879	380,342
Operating disbursements:			
Business type activities	102,937	157,479	260,416
Excess of operating receipts over disbursements	58,526	61,400	119,926
Non-operating receipts (disbursements):			
Interest on investments	67	1,194	1,261
Utility deposits	3,041	-	3,041
Deposit refunds	(1,206)	-	(1,206)
Debt service	(11,413)	(16,727)	(28,140)
Capital projects	-	(33,466)	(33,466)
Net non-operating receipts (disbursements)	(9,511)	(48,999)	(58,510)
Change in cash balances	49,015	12,401	61,416
Cash balances beginning of year	745	294,328	295,073
Cash balances end of year	\$ 49,760	306,729	356,489
Cash Basis Fund Balances			
Restricted:			
Non expendable:			
Utility deposits	\$ 9,877	-	9,877
Expendable:			
Debt service	-	190,247	190,247
Unrestricted	39,883	116,482	156,365
Total cash basis fund balances	\$ 49,760	306,729	356,489

See notes to financial statements.

## CITY OF EDGEWOOD

### NOTES TO FINANCIAL STATEMENTS

June 30, 2015

#### **(1) Summary of Significant Accounting Policies**

The City of Edgewood is a political subdivision of the State of Iowa located in Delaware and Clayton Counties. It was first incorporated in 1892 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer services for its citizens.

##### **A. Reporting Entity**

For financial reporting purposes, the City of Edgewood, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

##### **Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Delaware County Solid Waste Commission, Delaware County Economic Development Commission, Delaware and Clayton County E911 Service Boards and Edgewood Board of Economic Development.

## B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

*Nonexpendable restricted net position* is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City.

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by

law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

#### Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the receipt and disbursements of the voter approved 1% local option sales tax of which 70% can be disbursed for fire/ambulance and 30% for recreation.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

#### C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

#### D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

*Restricted* - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

*Unassigned* - All amounts not included in the preceding classification.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

### **(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

### (3) Bonds Payable

Annual debt service requirements to maturity for general obligation notes and revenue bonds are as follows:

Year Ending June 30,	General Obligation Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 90,497	8,214	18,000	8,820	108,497	17,034
2017	62,500	4,938	20,000	8,280	82,500	13,218
2018	62,500	2,962	20,000	7,680	82,500	10,642
2019	31,250	988	21,000	7,080	52,250	8,068
2020	-	-	22,000	6,450	22,000	6,450
2021-2025	-	-	117,000	22,140	117,000	22,140
2026-2030	-	-	76,000	6,990	76,000	6,990
Total	\$ 246,747	17,102	294,000	67,440	540,747	84,542

#### Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the \$ 174,000 of water revenue bonds issued in August, 2005 with interest at 3% per annum. The agreement also requires the City to annually pay a 0.25% servicing fee on the outstanding principal balance. The bonds are payable solely from water customer net receipts and are payable through 2025. Annual principal and interest payments on the bonds are expected to require less than 75% of net receipts. The total principal and interest remaining to be paid on the bonds is \$ 113,740. For the current year, principal and interest paid and total customer net receipts were \$ 11,413 and \$ 58,526, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$ 255,000 of sewer revenue bonds issued in June, 2010 with interest at 3% per annum. The agreement also requires the City to annually pay a

.25% servicing fee on the outstanding principal balance. The bonds are payable solely from sewer customer net receipts through 2030. Annual principal and interest payments are expected to be less than 75% of the net receipts. The total principal and interest remaining to be paid on the bonds is \$ 247,700. For the current year, principal and interest paid and total customer net receipts were \$ 16,727 and \$ 61,400, respectively.

#### **(4) Pension and Plan**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 20306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service)
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year salary).

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the



effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total of 14.88 percent

The City's contributions to IPERS for the year ended June 30, 2015 were \$ 16,064.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$ 96,052. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.002422 percent, which was an increase of 0.000323 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$ 7612, \$ 5423, \$ 40,332, respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rate of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflations) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$ 287,699	\$ 96,052	\$ 17,630

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

## **(5) Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 4 active members in the plan. Participants must be age 55 or older at retirement.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active members monthly premiums for the City and plan members are \$ 1111 for family coverage. For the year ended June 30, 2015, the City contributed \$ 47,940 to the plan and plan members eligible for benefits contributed \$ 4243 to the plan.

## **(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement, or death.

These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Comp time	\$ 2,000
Sick leave	<u>16,000</u>
Total	<u>\$ 18,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

## **(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 25,000
	Library Memorial	<u>123</u>
		25,123
Special Revenue:		
Trees Forever	General	500
Debt Service	Special Revenue:	
	Urban Renewal Tax	
	Increment	78,539
Capital Projects	Special Revenue:	
	Urban Renewal Tax	
	Increments	<u>13,531</u>
Total		<u>\$ 117,693</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

## **(8) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City

assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed commercial insurance coverage in the past fiscal year.

**(9) Commitments and Contingencies**

The City has agreed to guarantee 50% of the Edgewood Child Care and Development Center's United States Department of Agriculture loan, which has a balance of approximately \$ 123,300 at June 30, 2014. In July, 2015, the City Council appropriated \$ 5,000 to the Edgewood Child Care and Development Center.

## OTHER INFORMATION

CITY OF EDGEWOOD  
BUDGETARY COMPARISON SCHEDULE  
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES-  
BUDGET AND ACTUAL (CASH BASIS)-ALL GOVERNMENTAL AND PROPRIETARY FUNDS  
OTHER INFORMATION  
Year Ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 315,224	-	315,224	308,408	308,408	6,816
Tax increment financing	125,688	-	125,688	130,033	130,033	(4,345)
Other city tax	87,746	-	87,746	87,476	87,476	270
Licenses and permits	3,428	-	3,428	2,950	2,950	478
Use of money and property	2,239	1,261	3,500	4,760	4,760	(1,260)
Intergovernmental	131,728	-	131,728	135,432	141,432	(9,704)
Charges for service	128,703	380,342	509,045	492,100	492,100	16,945
Special assessments	1,819	-	1,819	2,579	2,579	(760)
Miscellaneous	50,207	3,041	53,248	50,100	80,100	(26,852)
Total receipts	846,782	384,644	1,231,426	1,213,838	1,249,838	(18,412)
Disbursements:						
Public safety	133,943	-	133,943	113,913	134,663	720
Public works	204,091	-	204,091	221,211	231,211	27,120
Health and social services	2,348	-	2,348	2,348	2,348	-
Culture and recreation	129,082	-	129,082	130,620	135,620	6,538
Community and economic development	63,444	-	63,444	155,453	68,653	5,209
General government	79,183	-	79,183	123,425	129,425	50,242
Debt service	118,738	-	118,738	41,500	121,500	2,762
Capital projects	-	-	-	-	20,000	20,000
Business type activities	-	323,228	323,228	309,677	379,677	56,449
Total disbursements	730,829	323,228	1,054,057	1,098,147	1,223,097	169,040
Excess of receipts over disbursements	115,953	61,416	177,369	115,691	26,741	150,628
Balances beginning of year	536,119	295,073	831,192	840,095	840,095	(8,903)
Balances end of year	\$ 652,072	356,489	1,008,561	955,786	866,836	141,725

See accompanying independent auditor's report and notes to other information-  
budgetary reporting.

## CITY OF EDGEWOOD

### Notes to Other Information - Budgetary Reporting

Year Ended June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. The nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2015, one budget amendment increased budgeted disbursements by \$ 124,950. The budget amendment is reflected in the final budgeted amounts.



CITY OF EDGEWOOD  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION  
LIABILITY AND CITY CONTRIBUTIONS  
Last Fiscal Year

OTHER INFORMATION

	<u>2015</u>
City's proportion of the net pension liability	.0024219%
City's proportionate share of the net pension liability	\$ 96,052
City's covered-employee payroll	172,499
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	55.68%
Plan fiduciary net position as a percentage of the total pension liability	87.61%
Statutorily required contribution	\$ 16,064
Contributions in relation to the statutorily required contribution	<u>(16,064)</u>
Contribution deficiency (excess)	<u>\$ 0</u>
City's covered-employee payroll	\$ 178,290
Contributions as a percentage of covered-employee payroll	9.01%

See accompanying independent auditor's report and notes to other information - pension liability.

## CITY OF EDGEWOOD

### Notes to Other Information - Pension Liability

Year Ended June 30, 2015

#### Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by employee and employer, instead of the previous 40-60 split.

#### Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

## SUPPLEMENTARY INFORMATION

## Schedule 1

CITY OF EDGEWOOD  
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
 AND CHANGES IN CASH BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 As of and for the Year Ended June 30, 2015

	Special Revenue			Capital	
	Employee	Library	Trees	Projects	Total
	Benefits	Memorial	Forever		
Receipts:					
Property tax	\$ 45,140	-	-	-	45,140
Other city tax	1,177	-	-	-	1,177
Use of money and property	-	25	-	-	25
Miscellaneous	-	3,255	1,455	-	4,710
Total receipts	46,317	3,280	1,455	-	51,052
Disbursements:					
Operating:					
Public safety	8,551	-	-	-	8,551
Public works	16,228	-	-	-	16,228
Culture and recreation	18,336	-	-	-	18,336
Community and economic development	1,556	-	5,015	-	6,571
General government	4,541	-	-	-	4,541
Total disbursements	49,212	-	5,015	-	54,227
Excess (deficiency) of receipts over (under) disbursements	(2,895)	3,280	(3,560)	-	(3,175)
Other financing sources (uses)					
Transfers in	-	-	500	13,531	14,031
Transfers out	-	(123)	-	-	(123)
Total other financing sources (uses)	-	(123)	500	13,531	13,908
Change in cash balances	(2,895)	3,157	(3,060)	13,531	10,733
Cash balances beginning of year	10,520	10,696	5,286	(13,531)	12,971
Cash balances end of year	\$ 7,625	13,853	2,226	-	23,704
Cash Basis Fund Balances					
Restricted for other purposes	\$ 7,625	13,853	2,226	-	23,704

See accompanying independent auditor's report.

## Schedule 2

CITY OF EDGEWOOD  
SCHEDULE OF INDEBTEDNESS  
Year Ended June 30, 2015

Obligation	Date of Issue	Interest Rate	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General obligation notes:								
Street improvement	Feb 28, 2007	4.65%	\$ 280,000	65,350	-	37,353	27,997	2,610
Emergency response center	Dec 3, 2012	3.16	500,000	289,009	-	70,259	218,750	8,516
Total				<u>\$ 354,359</u>	<u>-</u>	<u>107,612</u>	<u>246,747</u>	<u>11,126</u>
Revenue bonds:								
Water	Aug 3, 2005	3.00%	\$ 174,000	105,000	-	8,000	97,000	3,150
Sewer	Jun 2, 2010	3.00	255,000	207,000	-	10,000	197,000	6,210
Total				<u>\$ 312,000</u>	<u>-</u>	<u>18,000</u>	<u>294,000</u>	<u>9,360</u>

See accompanying independent auditor's report.

CITY OF EDGEWOOD  
BOND AND NOTE MATURITIES  
June 30, 2015

General Obligation Notes					
Year Ending June 30,	Street Improvements		Emergency Response Center		Total
	Issued Feb 28, 2007		Issued Dec 3, 2012		
	Interest		Interest		
	Rates	Amount	Rates	Amount	
2016	4.65%	\$ 27,997	3.16%	\$ 62,500	90,497
2017		-	3.16	62,500	62,500
2018		-	3.16	62,500	62,500
2019		-	3.16	31,250	31,250
Total		<u>\$ 27,997</u>		<u>\$ 218,750</u>	<u>246,747</u>

Revenue Bonds					
Year Ending June 30,	Water		Sewer		Total
	Issued Aug 3, 2005		Issued June 2, 2010		
	Interest		Interest		
	Rates	Amount	Rates	Amount	
2016	3.00%	\$ 8,000	3.00%	\$ 10,000	18,000
2017	3.00	9,000	3.00	11,000	20,000
2018	3.00	9,000	3.00	11,000	20,000
2019	3.00	9,000	3.00	12,000	21,000
2020	3.00	10,000	3.00	12,000	22,000
2021	3.00	10,000	3.00	12,000	22,000
2022	3.00	10,000	3.00	13,000	23,000
2023	3.00	10,000	3.00	13,000	23,000
2024	3.00	11,000	3.00	13,000	24,000
2025	3.00	11,000	3.00	14,000	25,000
2026		-	3.00	14,000	14,000
2027		-	3.00	15,000	15,000
2028		-	3.00	15,000	15,000
2029		-	3.00	16,000	16,000
2030		-	3.00	16,000	16,000
Total		\$ 97,000		\$ 197,000	294,000

See accompanying independent auditor's report.

**STEVEN S. CLAUSEN, CPA**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Edgewood, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 7, 2015. Our report expressed qualified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Edgewood's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Edgewood's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Edgewood's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.



A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Edgewood's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-15 and I-B-15 to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Edgewood's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### City of Edgewood's Responses to the Findings

The City of Edgewood's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. City of Edgewood's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Edgewood during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

August 7, 2015

A handwritten signature in cursive script that reads "Dietz, Donald & Company".

Dietz, Donald & Company  
Certified Public Accountants  
FEIN 42-1172392

CITY OF EDGEWOOD  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2015

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- I-A-15 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - We will consider this.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- I-B-15 Financial Reporting - As is common in small organizations, the City does not prepare its financial statements, complete with notes, in accordance with U.S. generally accepted accounting principles. Accordingly, the City is unable to, and has not established internal controls over the preparation of financial statements.

Recommendation - As part of the audit, we have been requested to prepare a draft of the City's financial statements, including related notes to the financial statements. The City then performs a review of the financial statements. However, in order to provide improved oversight of the financial preparation services and implement controls over the financial reporting process, the City should establish review policies and procedures including the performance of some or all of the following functions:

Review the adequacy of financial statement disclosures.

CITY OF EDGEWOOD  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2015

Review and approve schedule and calculations supporting amounts included in the Notes to Financial Statements.

Apply analytical procedures to the draft financial statements.

Apply other procedures as considered necessary by the City.

Response - We will consider this. However, the City only prepares a complete set of financial statements only when required or the Council decides to have an audit.

Conclusion - Response acknowledged.

INSTANCES OF NONCOMPLIANCE

No matters were noted

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-15 Certified Budget - Disbursements during the year ended June 30, 2015 did not exceed the amounts budgeted.
- II-B-15 Questionable Disbursements - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-15 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-15 Business Transactions - No business transactions between the City and City officials or employees were noted.
- II-E-15 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- II-F-15 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

CITY OF EDGEWOOD  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2015

- II-G-15 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- II-H-15 Revenue Bonds - The City has complied with the revenue bond resolutions.